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CITY OF COSTA MESA  
Costa Mesa, California

Single Audit Report on Expenditures of Federal Awards

Year ended June 30, 2009

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12/28/09

CITY OF COSTA MESA  
Single Audit Report on Expenditures of Federal Awards  
Year ended June 30, 2009

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The Honorable Mayor and City Council  
City of Costa Mesa, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, California as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Costa Mesa's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Costa Mesa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Honorable Mayor and City Council  
City of Costa Mesa, California  
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters we reported to the management of the City in a separate letter dated December 11, 2009.

This report is intended solely for the information and use of City Council, City management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayor Hoffman McLean R.L.*

Irvine, California  
December 11, 2009



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The Honorable Mayor and City Council  
City of Costa Mesa, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Costa Mesa, California with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The City of Costa Mesa's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Costa Mesa's management. Our responsibility is to express an opinion on the City of Costa Mesa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Costa Mesa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Costa Mesa's compliance with those requirements.

In our opinion, the City of Costa Mesa complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Costa Mesa, California is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Costa Mesa, California's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the City of Costa Mesa, California's internal control over compliance.

The Honorable Mayor and City Council  
City of Costa Mesa, California  
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A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Costa Mesa, California as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, City management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayor Helman M. L.*

Irvine, California  
December 11, 2009

## CITY OF COSTA MESA

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Program Identification Number	Catalog of Federal Domestic Assistance Number	Federal Assistance Expenditures	Amount Provided to Subrecipients
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Assistance:				
Community Development Block Grant Entitlement	B07-MC-060503	14.218	\$ 1,659,281	\$ 186,781
Direct Assistance:				
HOME Program	M-08-MC-06-0507	14.239	1,016,211 *	-
Total U.S. Department of Housing and Urban Development			2,675,492	186,781
<b><u>U.S. Department of Justice</u></b>				
Direct Assistance:				
Local Law Enforcement Block Grant		16.592	4,787	-
Office of Community Oriented Policing Services (COPS)		16.710	109,171	-
Passed through the Orange County Sherriff's Department:				
Justice Assistance Grant	2008-DJ-BX-0103	16.592	8,488	-
Total U.S. Department of Justice			122,446	-
<b><u>U.S. Department of Homeland Security</u></b>				
Passed through the Govenor's Office of Emergency Services:				
Public Assistance	FEMA-1577-DR-CA	97.036	9,327	-
Passed through the Orange County Sherriff's Department:				
2007 Emergency Management Performance Grant (EMPG)		97.042	7,227	-
Passed through the City of Santa Ana:				
Urban Area Security Initiative		97.008	207,297	-
Total U.S. Department of Homeland Security			223,851	-

(Continued)

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF COSTA MESA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(Continued)

**U.S. Department of Interior**

Passed through California Department of  
Parks and Recreation:

Fairview Park Development	06-01595	15.916	<u>149,253</u>	<u>-</u>
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Total U.S. Department of Interior			<u>149,253</u>	<u>-</u>
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Total			<u>\$ 3,171,042</u>	<u>\$ 186,781</u>
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\* Major program

See accompanying notes to the schedule of expenditures of federal awards.



# CITY OF COSTA MESA

## Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Costa Mesa that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a nonfederal agency or other organization. Only that portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

(c) Payments to Subrecipients

During the fiscal year ended June 30, 2009, the City of Costa Mesa disbursed \$186,781 of its Federal funds to subrecipients under the Community Development Block Grant to be used for allowable expenditures as provided in the grant agreement.

CITY OF COSTA MESA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

(A) Summary of Auditor's Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control over financial reporting disclosed as a result of the audit of the financial statements.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was CFDA No. 14.239 U.S. Department of Housing and Urban Development HOME Program.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee met the criteria to be a low risk auditee as set forth in .530 of OMB Circular A-133 for the year ended June 30, 2009 for purposes of major program determination.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditors' findings required to be reported in accordance with GAGAS.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

There are no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF COSTA MESA  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2009

There were no audit findings disclosed in Costa Mesa's Single Audit Report on Expenditures of Federal Awards for the year ended June 30, 2008.